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Court of Common Pleas

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By: ROSS M. BABBITT 0072946

Confirmation Nbr. 924386

MONARCH STEEL CO., INC. CV 16 872562

vs.

Judge: NANCY MARGARET RUSSO

VERSA CAPITAL MANAGEMENT LLC, ET AL

Pages Filed: 14

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Exh. 1

OHIO COURT OF COMMON PLEAS
CUYAHOGA COUNTY

MONARCH STEEL COMPANY, INC., 4650 Johnston Parkway Cleveland, Ohio 44128, Plaintiff, vs.	)	CASE NO. JUDGE
VERSA CAPITAL MANAGEMENT LLC c/o Registered Agent Registered Office Service Company 203 NE Front Street, Suite 101 Milford, Delaware 19963,	)	**COMPLAINT** **(JURY DEMAND ENDORSED HEREON)**
SALUS CAPITAL PARTNERS, LLC c/o Registered Agent Corporation Service Company 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808,	)	
ECHELON CAPITAL, LLC c/o Registered Agent Corporation Service Company 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808,	)	
LYON GROUP HOLDINGS, LLC c/o Registered Agent Corporation Service Company 2711 Centerville Road, Suite 400 Wilmington, Delaware 19808,	)	
VERSA CAPITAL FUND I, L.P. c/o Registered Agent Registered Office Service Company 203 NE Front Street, Suite 101 Milford, Delaware 19963,	)	
VERSA CAPITAL FUND I PARALLEL, L.P. c/o Registered Agent	)	

Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963,)
)
MANUS HOLDINGS, LLC)
c/o Registered Agent)
Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963,)
)
MANUS INVESTMENTS I, LLC)
c/o Registered Agent)
Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963)
)
MANUS INVESTMENTS I PARALLEL, LLC)
c/o Registered Agent)
Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963,)
)
BUCKEYE RSS, LLC)
c/o Registered Agent)
Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963,)
)
HOLLISTON LLC)
c/o Registered Agent)
Joseph Martin, Jr.)
150 3rd Avenue South)
Nashville, Tennessee 37201,)
)
AGARISTA HOLDINGS LLC)
c/o Registered Agent)
Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963,)
)
BRITE-LINE TECHNOLOGIES, LLC)
c/o Registered Agent)
Registered Office Service Company)
203 NE Front Street, Suite 101)
Milford, Delaware 19963,)
)
)

	)
NITEO BLT, LLC c/o Registered Agent Registered Office Service Company 203 NE Front Street, Suite 101 Milford, Delaware 19963,	)))))
	)
REPUBLIC STORAGE SYSTEMS LLC National Registered Agents, Inc. 160 Greentree Drive, Suite 101 Dover, Delaware 19904,	))))
	)
REPUBLIC STORAGE SYSTEMS LP National Registered Agents, Inc. 160 Greentree Drive, Suite 101 Dover, Delaware 19904,	))))
	))
Defendants.	)

For its Complaint, Plaintiff Monarch Steel Company, Inc. ("Monarch") states as follows:

Background Statement of Key Facts

1. Monarch is an Ohio corporation with a principal place of business in Cuyahoga County, Ohio, whose business is the sale of steel.

2. Republic Storage Systems, LLC ("Republic") is a Delaware limited liability company which was in the business of steel fabrication in Ohio and was Monarch's customer for a number of years prior to April 2015 when Republic was abruptly put out of business by other defendants in this lawsuit for the purpose of, among other things, not paying Republic's creditors.

3. All of the commercial activity between Monarch and Republic took place in Ohio, and all of the transactions described below were based in whole or in part on Republic's physical location in Ohio.

4. Monarch holds a $1,300,000 judgment against Republic relating to steel Monarch sold to Republic but which Republic did not pay for before it was put out of operation by the other defendants; a copy of the Agreed Judgment Entry describing Monarch's judgment against Republic is attached as Exhibit A hereto (the "**Monarch Judgment**").

5. The reason that Republic was put out of business and the manner in which it was made defunct expose a complex web of holding companies, capital management firms, and financiers to civil liability as defendants in this lawsuit seeking satisfaction of the Monarch Judgment.

The Parties

6. Versa Capital Management LLC ("**Versa**") is a Delaware limited liability company which on information and belief creates and facilitates the capitalization of private investment funds.

7. Versa Capital Fund I, L.P., and Versa Capital Fund I Parallel, L.P., are on information and belief two capital funds created by Versa and are both Delaware Limited Partnerships.

8. On information and belief, Versa Capital Fund I, L.P., owns 100% of the membership interest in Manus Investments I, LLC, which is a Delaware limited liability company.

9. On information and belief, Versa Capital Fund I Parallel, L.P., owns 100% of the membership interest in Manus Investments I Parallel, LLC, which is a Delaware limited liability company.

10. On information and belief, Manus Investments I, LLC, owns 72.9649% and Manus Investments Parallel I, LLC, owns 27.0351% of Manus Holdings, LLC.

11. Manus Holdings LLC is a Delaware limited liability company which, on information and belief, is the holding company for, and owns 100% of, Agarista Holdings LLC, Buckeye RSS, LLC, and Niteo BLT, LLC.

12. Versa, Versa Capital Fund I, L.P., Versa Capital Fund I Parallel, L.P., Manus Investments I, LLC, Manus Investments I Parallel, LLC, and Manus Holdings, LLC, are referred to jointly below as "**Manus**".

13. Agarista Holdings LLC is a Delaware limited liability company which, on information and belief, owns 100% of the membership interest of Holliston LLC.

14. Holliston LLC is a Delaware limited liability company which, on information and belief, has its principal place of business in the State of Tennessee.

15. Niteo BLT, LLC, is a Delaware limited liability company which, on information and belief, for all times relevant hereto owned 100% of the membership interest of Brite-Line Technologies, LLC.

16. Brite-Line Technologies, LLC, is a Delaware limited liability company which, on information and belief, had a principal place of business in the State of Colorado.

17. Buckeye RSS, LLC, is a Delaware limited liability company which, on information and belief, owns 100% of the membership interest of Republic.

18. Republic Storage Systems, LP, is a Delaware limited partnership which was owned for all times relevant hereto 99% by Republic and 1% by Buckeye RSS, LLC.

19. The combination of Manus Holdings, LLC, Agarista Holdings LLC, Holliston LLC, Buckeye RSS, LLC, Republic, Republic Storage Systems, LP, Niteo BLT, LLC, and Brite-Line Technologies, LLC, are referred to collectively below as the "**Salus Collateral**".

20. Salus Capital Partners, Inc. ("**Salus**"), is on information and belief a Delaware corporation with a principal place of business in Massachusetts.

21. Echelon Capital, LLC, ("**Echelon**") is on information and belief a Delaware limited liability company with a principal place of business in Illinois.

22. Lyon Group Holdings, LLC, is on information and belief a Delaware limited liability company with a principal place of business in Illinois, and is referred to below in conjunction with Echelon.

The Salus Loan and The Manus "Rake"

23. On information and belief, in April 2013 Manus opened a large line of credit through Salus which used the assets of the Salus Collateral as collateral for the credit (the "Salus Loan").

24. The Salus Loan enabled Manus to pool the assets of all of the Salus Collateral (which were all owned by Manus, directly or indirectly), and to borrow against all of those assets at once.

25. On information and belief, one of the terms of the Salus Loan was that each component of the Salus Collateral was jointly and severally liable for the entirety of the Salus Loan.

26. On information and belief, another of the terms of the Salus Loan was that Manus alone was able to draw against the line of credit.

27. On information and belief, Manus did take a large draw against the Salus Loan some time after its inception in April 2013 (the "Rake").

28. The effect of the Rake was to put all of the Salus Collateral, and Republic in particular, in an effectively insolvent position and to force the constituent businesses of the collateral to service the debt which, in turn, impaired their ability to do business.

29. In the case of Republic, between April 2013 and April 2015, it was unable to bring its accounts with Monarch current because of the large obligation it had up-stream to Manus because of the Rake.

30. At the time that Manus took the Rake, Republic's debtor relationship to Monarch was known, and was continuing and ongoing.

31. On information and belief, the intent of the Rake was to "take money off the table" for Manus, funnel that money upstream to Versa and its clients, and force Republic, among other members of the Salus Collateral, to attempt to continue to service the Salus Loan.

32. The consequence of the Salus Loan for Republic was that its business was impaired due to its need to service the Salus Loan, which included its inability to pay its large debt to Monarch.

The 2015 Fraudulent Sale Of Republic To Echelon

33. On information and belief in March 2015 Manus was negotiating a sale of Republic's assets to Echelon, though the terms of that sale did not include

any of Republic's liabilities which, by that time, included over $1MM in debt to Monarch.

34. Also in March 2015, Monarch initiated a collection action against Republic to collect on its large debt.

35. Thereafter, Manus was aware that it could not simply directly sell Republic's assets to Echelon, leaving Republic as an empty a shell with no ability to pay its debt to Monarch, because doing so would obviously be a fraudulent transfer.

36. Instead, Manus conspired with Salus to launder Republic's assets by having Salus declare a default under the Salus Loan which, in turn, would permit Salus to sell Republic's assets to Echelon under the ruse that the sale was done without the intent to leave Monarch without recourse for Republic's debt.

37. On information and belief, Manus, Salus, and Echelon thereafter conspired to use Salus to launder the sale of Republic's assets to Echelon to fraudulently avoid paying Republic's known creditors, including Monarch.

38. And this is exactly what happened effective April 10, 2015, when Salus seized all of the assets of Republic– and only Republic among all of the constituents of the Salus Collateral – based on a claim that the Salus Loan was in default and sold those assets in an intensely coordinated and prearranged UCC sale to Echelon.

39. As a consequence of the conspiracy with Salus, Manus laundered the assets of Republic through Salus by inducing Salus to invoke a sham declaration of default under the Salus Loan terms and to fraudulently transfer

only the assets of Republic to Echelon in a manner that Manus would have been unable to accomplish on its own.

Count One
Relief For Fraudulent Transfers R.C. § 1336.01 et seq.

40. Monarch restates the above in full.

41. The 2013 Salus Loan and the Manus Rake were fraudulent transfers as to Monarch because they were made with actual intent to hinder Republic's creditor, Monarch.

42. The 2013 Salus Loan and the Manus Rake were also fraudulent transfers as to Monarch because they were made without Republic receiving reasonably equivalent value for the debt it needed to service because of the Rake.

43. As a result of the fraudulent transfers of the Salus Loan and Manus Rake, Monarch seeks equitable relief under the circumstances, namely that Manus, Salus, and all of the other Salus Collateral be held jointly and severally liable for the Monarch Judgment, and that they be liable for all costs and attorney fees Monarch has incurred as a result of their conduct.

44. The 2015 Fraudulent Sale was also a fraudulent transfer of Republic's assets orchestrated by Manus and Echelon and facilitated by Salus.

45. The 2015 Fraudulent Sale was done with actual intent to hinder, delay, and defraud Monarch as a creditor of Republic.

46. As a consequence, the 2015 Fraudulent Sale should be set aside and its proceeds should be used to satisfy the Monarch Judgment.

47. As a further result of the fraudulent transfer embodied by the 2015 Fraudulent Sale, Versa, Manus, Salus, and Echelon should all be held jointly and

severally liable for the Monarch Judgment, and they should also be liable for all costs and attorney fees Monarch has incurred as a result of their conduct.

48. Due to the willfulness and wantonness of the defendants' actions, and consistent with equitable principals, all defendants should be liable for punitive damages and attorneys fees due to their deliberate and coordinated fraudulent conveyances of Republic's assets to defraud Monarch and frustrate collection of the Monarch Judgment.

Count Two
Tortious Interference With Contract

49. Monarch restates the above in full.

50. In March 2015 Republic had a contractual obligation to Monarch to pay its debts.

51. Manus knew or had knowledge of that contractual obligation and intentionally procured Republic's breach of it.

52. Manus had no justification for its conduct, and Monarch was damaged as a result.

53. Due to Manus' tortious interference with Monarch's contractual relationship with Republic, Manus should be held liable for the full amount of the Monarch Judgment plus costs and attorneys fees.

Count Three
Civil Conspiracy

54. Monarch restates the above in full.

55. Manus, Salus, and the Salus Collateral comprised a malicious combination which worked in concert to coordinate the Salus Loan and the Manus Rake which effected a fraudulent transfer against Monarch.

56. Versa, Manus, Salus, and Echelon comprised a malicious combination which worked in concert to coordinate the 2015 Fraudulent Sale.

57. As a result of the conspiracy of the named defendants, Republic was left with no assets against which Monarch could levy to collect on its judgment.

58. Due to the civil conspiracy of the defendants, and the willfulness and wantonness of their conduct, all of the defendants should be held jointly and severally liable for the Monarch Judgment and should be assessed punitive damages in an amount to be determined at trial.

WHEREFORE, Plaintiff Monarch Steel Company, Inc., requests this Court to:

A. Award Monarch the full amount of the Monarch Judgment jointly and severally against all defendants;

B. Award Monarch its costs and attorney fees; and

C. Award Monarch any other relief to which it is entitled.

Respectfully Submitted,
Ross M. Babbitt Co., LPA

/s/ Ross M. Babbitt
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Attorney for Plaintiff Monarch Steel Company, Inc.

JURY DEMAND

Pursuant to Rule 38(B) of the Ohio Rules of Civil Procedure, Plaintiff demands a jury of the maximum number of jurors for all issues so triable.

/s/ Ross M. Babbitt
Attorney For Plaintiff

LOUIS P. GIAVASIS
CLERK OF COURTS
STARK COUNTY, OHIO
2015 OCT 21 PM 1:39

IN THE COURT OF COMMON PLEAS
FOR STARK COUNTY, OHIO

MONARCH STEEL COMPANY, INC.,	)	CASE NO. 2015CV00490
	)	
Plaintiff,	)	JUDGE JOHN G. HAAS
	)	
v.	)	
	)	**AGREED JUDGMENT ENTRY**
REPUBLIC STORAGE SYSTEMS, LLC,	)	
	)	
Defendant.	)	

The Court, having been advised that Plaintiff Monarch Steel Company, Inc. and Defendant Republic Storage Systems, LLC have reached a settlement of all claims in Plaintiff's Complaint filed on March 4, 2015, hereby enters judgment as follows by agreement of Plaintiff and Defendant.

It is hereby **ORDERED, ADJUDGED, AND DECREED** that Plaintiff Monarch Steel Company, Inc. is entitled to, and is hereby awarded, judgment against Defendant Republic Storage Systems, LLC in the amount of $1,300,000.00, plus interest of 3% per annum beginning from October 19, 2015 until paid in full. Each party to bear its own costs.

It is further **ORDERED, ADJUDGED, AND DECREED** that, pursuant to Civil Rule 54(B), this Judgment is final and there is no just reason for delay.

IT IS SO ORDERED.

JUDGE JOHN G. HAAS

ENTERED BY. 8

7948284.1

EXHIBIT A

AGREED TO AND SUBMITTED BY:

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